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ABSTRACT

If New York State had attempted to raise its tax revenues from 1956 to 1975 entirely without recourse to property taxes, the burden would have had to be shifted to one or more of four other major categories of taxation. This document briefly discusses the impact of two alternatives: how each of the four categories would have been affected by being forced to assume the full additional tax burden by itself; and how all four categories would have been affected if each had assumed a proportion of the additional burden equal to its proportion of the full tax burden. Year-by-year results of the analysis are shown in graphs and tables. (Author/PGD)

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OCCASIONAL PAPER #1

# RE: SHIFTING THE BURDEN OF PROPERTY TAXES ON OTHER TAXES IN NEW YORK STATE

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OCCASIONAL PAPER #1

RE: SHIFTING THE BURDEN OF PROPERTY TAXES ON OTHER TAXES IN NEW YORK STATE

Question: Assume the complete elimination of the property tax in New York State. What would be its impact upon the remaining taxes in New York State?

The response to this question shall be considered in the Occasional Paper #1. For purposes of this paper, taxes in New York State have been subsumed under four main categories: (1) Individual Income Taxes; (2) General Business Taxes; (3) Consumption and Use Taxes, and (4) Transfers and Other Taxes. Data were collected on these taxes from 1956 to 1975. Property taxes were also collected over this same long-term period. The four tax classifications were aggregated to obtain total general revenue taxes in New York State. The data for the various taxes enumerated above were taken from the various annual reports of the Comptroller entitled, "...Annual Financial Report of The Comptroller." No refinements in the amounts shown in these reports were made for changes in tax rates or changes in tax structure. Elimination of property taxes, then, would impact upon the previously enumerated taxes in sereral illustrative ways. Of all the different possibilities, two were selected for illustration; (1) the effect of the property tax burden falling entirely upon one of the four taxes enumerated; (2) the effect

of the property tax burden falling proportionately upon each tax in accordance with the proportion of monies that tax raised in that particular year.

Table 1 contains the data on taxes raised over the long-term period previously enumerated. Figure 1 portrays graphically the effects of impacting property taxes completely upon each tax.

In 1956-57, property taxes in New York State amounted to $624.7 million, whereas income taxes amounted to $476.3 million. For income taxes to replace property taxes at that time, income taxes would have had to raise $1,101 million. Another interesting way of stating this is that for each $1.00 of income tax raised in 1956 an additional $1.31 would have had to been raised. If in 1956-57 the property tax burden had been transferred completely to General Business Taxes, for each $1.00 raised, an additional $1.67 would have had to been raised. If in the same year the property tax burden had been transferred to Consumption and Use Taxes, for each $1.00 raised an additional $1.55 would have had to been raised. Lastly, had the property tax burden been transferred completely to Transfer and Other Taxes, for each $1.00 raised an additional $3.80 would have had to been raised.

Figure 1 shows the effect of abolishing the property tax completely and impacting its burden upon one of the separate tax components over the past two decades. Thus, in 1973-74, had property taxes been eliminated completely, for each $1.00 of income taxes, $1.08 would have had to been raised; for each $1.00 of General Business Taxes, $2.67; for each $1.00 of Consumption

and Use Taxes, $1.09; and for each $1.00 of Transfer and Other Taxes, $10.78.

Table 2 contains the data concerning the second alternative of distributing the impact of eliminating completely the property tax. Figure 2 graphically displays this impact. The second alternative proposed that the burden of raising the taxes to supplant those of property fall upon each tax in accordance with the percentage of total taxes raised by that particular tax in that given year. Thus, the percentage for each component would vary for each year. An example, expressed mathematically should make clear the definition utilized.

$$(1)\quad Ip = \frac{I}{P}\ (P) = (I/T)\ P$$

$$(2)\quad Ri - \frac{Ip}{I}$$

In formula (1) Ip refers to the amount of additional income taxes that must be raised because the property tax has been eliminated; I refer to the income taxes raised; T refers to the total taxes raised; and P refers to the total taxes raised. In formula (2) Ri refers to the amount of additional income taxes needed to be raised for each $1.00 of income tax actually raised. The formulas would be identical for the other three components of total taxes. Interestingly, while it appears that formula (2) would yield different results for each of the four components of total taxes, such is not the case. A simple substitution shows that the ratio for each component is identical for any

given year and reduces to the ratio of property taxes (P) to total taxes (T). For example,

$$(3)\quad Ri = \frac{Ip}{I} = \frac{(I/T)\ P}{I} = \frac{IP}{IT} = \frac{P}{T}$$

Thus, in 1956-57, for each $1.00 of taxes raised regardless of which component is considered an additional $0.44 must be raised. While the amount needed for each $1.00 of taxes raised is the same for each dollar of property tax, the amount raised for each component tax is not equal. For example, in 1956-57 for each dollar of property taxes that needs to be raised $0.34 must come from income taxes, $0.26 from General Business Taxes, $0.28 from Consumption and Use Taxes, and $0.12 from Transfer and Other Taxes. Table 2 also contains these data.

TABLE 1

TREND DATA ON TOTAL TAXES RAISED BY SELECTED COMPONENTS AND ON PROPERTY TAXES, NEW YORK STATE
(millions of dollars)

| FISCAL YEAR ENDING | TOTAL PROPERTY TAXES | TOTAL GENERAL TAXES | INCOME TAXES | GENERAL BUSINESS TAXES | CONSUMPTION AND USE TAXES | TRANSFER AND OTHER TAXES |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1957 | 624.7 | 1,417.3 | 476.3 | 374.0 | 403.0 | 164.0 |
| 1958 | 773.6 | 1,480.5 | 513.5 | 391.0 | 413.0 | 163.0 |
| 1959 | 834.0 | 1,554.9 | 565.9 | 387.0 | 427.0 | 175.0 |
| 1960 | 921.8 | 1,928.6 | 756.6 | 399.0 | 554.0 | 219.0 |
| 1961 | 947.7 | 2,051.7 | 803.7 | 425.0 | 574.0 | 249.0 |
| 1962 | 1,058.3 | 2,137.6 | 834.6 | 453.0 | 591.0 | 259.0 |
| 1963 | 1,144.9 | 2,482.7 | 1,018.7 | 580.0 | 613.0 | 271.0 |
| 1964 | 1,245.1 | 2,672.3 | 1,136.3 | 581.0 | 641.0 | 314.0 |
| 1965 | 1,393.7 | 2,819.7 | 1,131.7 | 696.0 | 666.0 | 326.0 |
| 1966 | 1,465.5 | 3,268.0 | 1,270.9 | 570.0 | 1,128.0 | 300.0 |
| 1967 | 1,585.3 | 3,853.1 | 1,527.1 | 632.0 | 1,430.0 | 264.0 |
| 1968 | 1,776.2 | 4,176.8 | 1,787.8 | 610.0 | 1,513.0 | 266.0 |
| 1969 | 1,916.2 | 5,013.6 | 2,156.6 | 858.0 | 1,691.0 | 308.0 |
| 1970 | 2,117.4 | 5,820.4 | 2,486.4 | 962.0 | 2,076.0 | 296.0 |
| 1971 | 2,492.5 | 5,978.5 | 2,548.5 | 870.0 | 2,251.0 | 309.0 |
| 1972 | 2,738.4 | 6,634.0 | 2,518.0 | 1,149.0 | 2,618.0 | 349.0 |
| 1973 | 3,019.6 | 7,663.7 | 3,062.7 | 1,283.0 | 2,985.0 | 333.0 |
| 1974 | 3,463.4 | 7,975.3 | 3,205.3 | 1,296.0 | 3,153.0 | 321.0 |

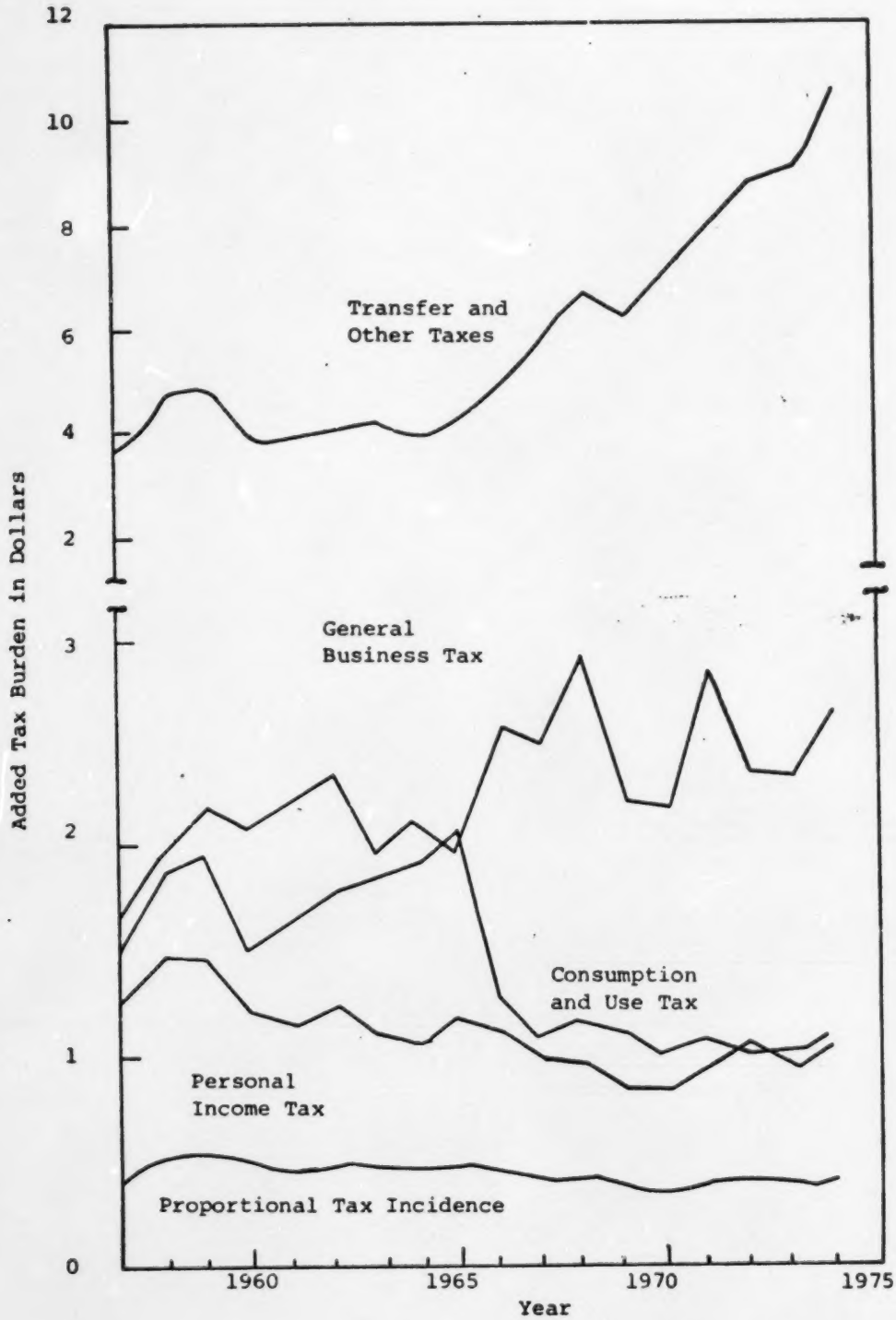


Figure 1. . Added burden on other New York State taxes to eliminate completely the property tax in New York State, 1957-1974.

TABLE 2

TREND DATA ON IMPACTING THE ABOLITION OF PROPERTY TAXES AND ONE HUNDRED PERCENT ASSUMPTION BY EACH COMPONENT TAX, NEW YORK STATE
(millions of dollars)

| | | INCOME TAXES | | GENERAL BUSINESS TAXES | | CONSUMPTION AND USE TAXES | | TRANSFER AND OTHER TAXES | |
|---|---|---|---|---|---|---|---|---|---|
| YEAR | TOTAL TAXES[a] | AMOUNT[b] | ADDITIONAL[c] TAX | AMOUNT[b] | ADDITIONAL[c] TAX | AMOUNT[b] | ADDITIONAL[c] TAX | AMOUNT[b] | ADDITIONAL[c] TAX |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| 1957 | 2,042.0 | 1,101.0 | 624.7 | 998.7 | 624.7 | 1,027.7 | 624.7 | 788.7 | 624.7 |
| 1958 | 2,254.1 | 1,287.1 | 773.6 | 1,164.6 | 773.6 | 1,186.6 | 773.6 | 936.6 | 773.6 |
| 1959 | 2,388.9 | 1,399.9 | 834.0 | 1,221.0 | 834.0 | 1,261.0 | 834.0 | 1,009.0 | 834.0 |
| 1960 | 2,850.4 | 1,678.4 | 921.8 | 1,320.8 | 921.8 | 1,475.8 | 921.8 | 1,140.8 | 921.8 |
| 1961 | 2,999.4 | 1,751.4 | 947.7 | 1,372.7 | 947.7 | 1,521.7 | 947.7 | 1,196.7 | 947.7 |
| 1962 | 3,195.9 | 1,892.9 | 1,058.3 | 1,511.3 | 1,058.3 | 1,649.3 | 1,058.3 | 1,317.3 | 1,058.3 |
| 1963 | 3,627.6 | 2,163.6 | 1,144.9 | 1,724.9 | 1,144.9 | 1,757.9 | 1,144.9 | 1,415.9 | 1,144.9 |
| 1964 | 3,917.4 | 2,381.4 | 1,245.1 | 1,826.1 | 1,245.1 | 1,886.1 | 1,245.1 | 1,559.1 | 1,245.1 |
| 1965 | 4,213.4 | 2,525.4 | 1,393.7 | 2,089.7 | 1,393.7 | 2,059.7 | 1,393.7 | 1,719.7 | 1,393.7 |
| 1966 | 4,733.5 | 2,736.4 | 1,465.5 | 2,035.5 | 1,465.5 | 2,593.5 | 1,465.5 | 1,765.5 | 1,465.5 |
| 1967 | 5,438.4 | 3,112.4 | 1,585.3 | 2,217.3 | 1,585.3 | 3,015.5 | 1,585.3 | 1,849.3 | 1,585.3 |
| 1968 | 5,953.0 | 3,564.0 | 1,776.2 | 2,386.2 | 1,776.2 | 3,293.2 | 1,776.2 | 2,042.2 | 1,776.2 |
| 1969 | 6,929.8 | 4,072.8 | 1,916.2 | 2,774.2 | 1,916.2 | 3,607.2 | 1,916.2 | 2,224.2 | 1,916.2 |
| 1970 | 7,937.8 | 4,603.8 | 2,117.4 | 3,079.4 | 2,117.4 | 4,193.4 | 2,117.4 | 2,413.4 | 2,117.4 |
| 1971 | 8,471.0 | 5,041.0 | 2,492.5 | 3,362.5 | 2,492.5 | 4,743.5 | 2,492.5 | 2,801.5 | 2,492.5 |
| 1972 | 9,372.4 | 5,256.4 | 2,738.4 | 3,887.4 | 2,738.4 | 4,356.4 | 2,738.4 | 3,087.4 | 2,738.4 |
| 1973 | 10,683.3 | 6,082.3 | 3,019.6 | 4,302.6 | 3,019.6 | 6,004.6 | 3,019.6 | 3,352.6 | 3,019.6 |
| 1974 | 11,438.7 | 6,668.7 | 3,463.4 | 4,759.4 | 3,463.4 | 6,616.4 | 3,463.4 | 3,784.4 | 3,463.4 |

a. Total taxes represents the sum of columns (2) and (3). Table 1.

b. Amount represents the sum of that component tax and property taxes. For example, for income the figure is the sum of columns (2) and (4) in Table 1; for general business taxes, the sum of columns (2) and (5), etc.

c. The additional tax means that for each dollar of a given tax, that much more needs to be raised by that tax to supplant the property tax. For example, if in 1957 income is to completely supplant the property tax, for each dollar of income tax actually raised an additional $624.7 million would be needed.

TABLE 3

TREND DATA ON IMPACTING THE ABOLITION OF PROPERTY TAXES AND PROPORTIONALLY BURDENING EACH COMPONENT TAX, NEW YORK STATE

| | | Percent that Each Component Tax Is Of Total Taxes | | | | |
|---|---|---|---|---|---|---|
| YEAR | TOTAL TAXES | INCOME TAXES | GENERAL BUSINESS TAXES | CONSUMPTION AND USE TAXES | TRANSFER AND OTHER TAXES | ADDITIONAL TAXES NEEDED |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1957 | 2,042.0 | 23.3 | 18.3 | 19.7 | 8.1 | 30.6 |
| 1958 | 2,254.1 | 22.8 | 17.4 | 18.3 | 7.2 | 34.3 |
| 1959 | 2,388.9 | 23.7 | 16.2 | 17.9 | 7.3 | 34.9 |
| 1960 | 2,850.4 | 26.5 | 14.1 | 19.4 | 7.7 | 32.3 |
| 1961 | 2,999.4 | 26.8 | 14.2 | 19.1 | 8.3 | 31.6 |
| 1962 | 3,195.9 | 26.1 | 14.2 | 18.5 | 8.1 | 33.1 |
| 1963 | 3,627.6 | 28.1 | 16.0 | 16.8 | 7.5 | 31.6 |
| 1964 | 3,917.4 | 29.0 | 14.8 | 16.4 | 8.0 | 31.8 |
| 1965 | 4,213.4 | 26.9 | 16.5 | 15.8 | 7.7 | 33.1 |
| 1966 | 4,733.5 | 26.9 | 12.0 | 23.8 | 6.3 | 31.0 |
| 1967 | 5,438.4 | 28.0 | 11.6 | 26.3 | 4.9 | 29.2 |
| 1968 | 5,953.0 | 30.0 | 10.3 | 25.4 | 4.5 | 29.8 |
| 1969 | 6,929.8 | 31.2 | 12.4 | 24.4 | 4.5 | 27.5 |
| 1970 | 7,937.8 | 31.3 | 12.1 | 26.2 | 3.7 | 26.7 |
| 1971 | 8,471.0 | 30.1 | 10.2 | 26.6 | 3.7 | 29.4 |
| 1972 | 9,372.4 | 26.9 | 12.3 | 27.9 | 3.7 | 29.2 |
| 1973 | 10,683.3 | 28.7 | 12.0 | 27.9 | 3.1 | 28.3 |
| 1974 | 11,438.7 | 28.0 | 11.3 | 27.6 | 2.8 | 30.3 |

TABLE 4

DISTRIBUTION OF EACH $1.00 OF PROPERTY TAXES AMONG COMPONENTS

| YEAR | INCOME TAX | GENERAL BUSINESS | CONSUMPTION AND USE | TRANSFERS AND OTHERS |
|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) |
| 1957 | $ .34 | $ .26 | $ .28 | $ .12 |
| 1958 | .35 | .26 | .28 | .11 |
| 1959 | .36 | .25 | .28 | .11 |
| 1960 | .39 | .21 | .29 | .11 |
| 1961 | .39 | .21 | .28 | .12 |
| 1962 | .39 | .21 | .28 | .12 |
| 1963 | .41 | .23 | .25 | .11 |
| 1964 | .42 | .22 | .24 | .12 |
| 1965 | .40 | .25 | .23 | .12 |
| 1966 | .39 | .17 | .35 | .09 |
| 1967 | .40 | .16 | .37 | .07 |
| 1968 | .43 | .15 | .36 | .06 |
| 1969 | .43 | .17 | .34 | .06 |
| 1970 | .43 | .16 | .36 | .05 |
| 1971 | .43 | .14 | .38 | .05 |
| 1972 | .38 | .17 | .40 | .05 |
| 1973 | .40 | .17 | .39 | .04 |
| 1974 | .40 | .16 | .40 | .04 |

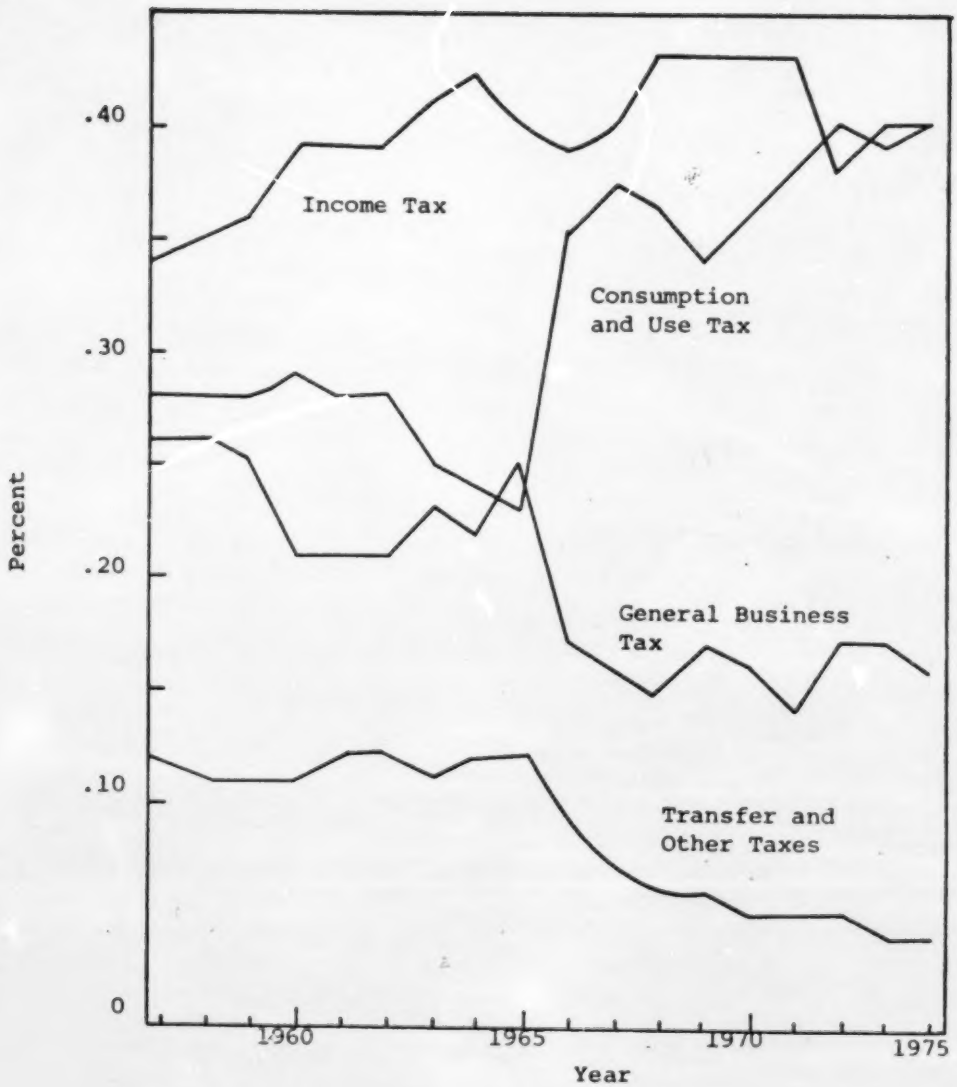


Figure 2. . Distribution of each $1.00 of property tax among the components of tax revenues.